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DAILY DIGEST

Date: JUN 4 1951

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 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

- "B" USSR. Factional Party Dispute Over Farm Consolidation Continues. Embassy Moscow submits additional evidence that a serious intra-party dispute is continuing over policies affecting the consolidation of collective farms. M. D. Bagirov, Azerbaijan Party Secretary in a 26 May speech, demanded the eradication of the "incorrect" idea that the most important task in kolkhoz construction is the fusing of small villages into single kolkhoz settlements. Bagirov described as harmful and intolerable the present practice of cutting down the size of garden plots immediately adjacent to collective farmers' homes by moving part of them beyond the village limits. Field Comment: Embassy Moscow believes that such a strong stand by a local party boss is further indication that Politburo member Khrushchev's radical approach to the current collectivization program is not meeting with high level approval and that in any case, Bagirov's remarks would not have been emitted without prior clearance from above. (R-Moscow 2046, 1 June 51).
- "B" Moscow Minimizes Logistical Problems in Korea. A recent Soviet broadcast reminds its listeners that ill-trained and poorly equipped Americans were able to defeat superior British forces during the American Revolution because their cause was just, and contends that Communist forces in Korea are thus certain to win the Korean conflict. (R-FBIS flimsy, 4 June 51). COMMENT: The O/CI Daily Digest of 1 June reported the public statement of a Chinese Communist leader, interviewed in Peiping on his return from Korea, that what is "needed most" by Communist forces in Korea is heavy equipment of various kinds. If the Peiping broadcast can be interpreted as a question, the Moscow broadcast might be interpreted as an answer.
- "B" USSR's "Peaceful Construction" Theme Aimed at Countering US Rearmament. The US Army Attache to Moscow, in commenting on the evident lack of construction on the much-publicized Volga-Don Canal project, cautioned against interpreting this bursting of the Soviet propaganda bubble as an ominous indication of intention. Rather, the "peaceful construction" theme serves as a propaganda counter to the US rearmament program. If exaggerated claims are not fulfilled, it will be more due to lack of ability rather than lack of desire. The Soviet regime has strained economically and industrially to accomplish the minimum requirements under the Five-Year Plan and has little left for such grandiose schemes as have been announced. (S-USARMA Moscow MA-1101, 1 June 51).
- "C" EASTERN EUROPE. YUGOSLAVIA. Tito Government Rejoins International Labor Organization. The Yugoslav Government joined the International

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Labor Organization (ILO) on 23 May. A delegation from Belgrade has departed for Geneva to attend the annual meeting. (R-FBIS Belgrade, 1 June 51). COMMENT: Yugoslavia withdrew from the ILO in 1948 prior to the Yugoslav-Cominform break presumably because the organizational structure of ILO, which provides for separate representation for management, labor, and government, was not considered suitable for a socialist economy. The recent Yugoslav decentralization measures, which have ostensibly increased the authority of the workers in industry by the creation of workers' councils, have facilitated Yugoslavia's return to the International Labor Organization. The Soviet Union and other orbit members did not withdraw in 1948 and are still members of ILO.

"B" Tito Withdraws Delegation from Danube Commission Session. The Yugoslav delegation has walked out of the fourth session of the Soviet-dominated Danube Commission and refuses to participate in the Commission's work any longer. The session had refused to adopt Yugoslav proposals aimed at preventing measures which denied the right of states to investigate damages incurred by all vessels in territorial waters. (R-FBIS Belgrade, 3 June 51). COMMENT: The Danube Commission was established at the Belgrade Conference immediately after the Cominform break in 1948. The Yugoslavs, however, voted with the Soviet orbit against the US, UK, and France in drawing up the new rules for navigation on the Danube. Despite their walkout the Yugoslavs will probably continue to abide scrupulously by the rules of the Danube Commission in order to avoid any action which the USSR could label as a provocation.

"B" Non-Cominform Peace Conference Organized. The Yugoslav Committee for the Defense of Peace is planning an international conference of non-Cominform national peace organizations (including Western labor, religions, and other social groups) as a means of combatting Communist primacy in the "peace" movement. Although the conference, which would meet in Zagreb on 1 September, would be unofficial, Yugoslav authorities would give it sympathetic assistance. The conference would consider a six point agenda designed to expose Soviet lies and expansionist aims in contrast to UN concepts of national equality and peaceful coexistence. A Yugoslav official has requested the US to indicate privately to American organizations that it considers the conference useful and to grant passports to American delegates. (C-State To Belgrade 1355, 1 June 51). COMMENT: The Yugoslav National Committee for the Defense of Peace was established last year to combat the propaganda of Moscow's "Partisans of Peace", and particularly Soviet charges that Yugoslavia was being converted into a Western military base. A Congress of the committee, held in Belgrade in July 1950, invited representatives of peace movements to visit Yugoslavia to determine whether aggressive operations toward neighboring states were being prepared on Yugoslav territory.

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SECTION 2 (EASTERN)

- "A" ISRAEL. Pro-Soviet MAPAM Avoids Threatened Party Split. According to a "Reuters" broadcast from London, Israel's left-wing socialist party, MAPAM, dodged a threatened party split on the issue of how closely the party should follow the Cominform line when the party concluded its political convention at Haifa. A contradictory mixture of Zionist pioneering and pro-Soviet tendencies was revealed by the convention's directive that MAPAM move toward "the socialist revolutionary camp, against Titoism, and for Jewish pioneering". MAPAM's ideological position remains undefined, though it generally follows along Communist lines. (R. FBIS News Ticker, 4 June 51). COMMENT: MAPAM's attempts to avoid an internal split will face a real test this summer in the elections for a new Knesset (Parliament). The threat continuing to face MAPAM, which won the second largest number of votes in Israel's first elections in 1949, is that the total party votes may be diminished with the extreme left strengthening the small Israeli Communist Party and the rightist elements voting with Ben-Gurion's moderate socialist party, MAPAI.
- "B" INDIA. Attitudes Regarding the Future of Kashmir. On 31 May, Bajpai, Secretary-General, Indian Ministry of External Affairs, acting on Prime Minister Nehru's instructions, told a US Embassy official that the Kashmir Constituent Assembly was to be convened with the full approval of the GOI and that it would have the right to voice an opinion on the question of Kashmir's accession to India or Pakistan. When asked whether this might not prejudice the carrying out of a plebiscite under UN auspices, Bajpai replied the GOI felt it would not. He further said that Dr. Frank Graham, the UN representative to Kashmir, would be received in India with the courtesy due a distinguished foreigner and UN representative, but not in the capacity of an official charged with implementing a UN resolution against which India had voted. (See OCI Daily Digest, 2 May 51). (C New Delhi 3452, 1 June 51). COMMENT: Despite Bajpai's assurance that an opinion by the Kashmir Constituent Assembly would not be binding upon the GOI or the UN, it is almost certain that an opinion favorable to India would be pointed out by India as representing the will of the people of Kashmir and, therefore, that a further plebiscite is unnecessary. Dr. Graham's mission seems foredoomed to failure.
- "C" Additional Sino-Indian Friendship Associations to be Established. According to a Peiping news report, preparations are underway to establish Sino-Indian Friendship Associations in the city of Delhi and in the states of Bombay, Madras, and Hyderabad. One such association was formed in Calcutta last February and another was organized in Bombay in May. (See OCI Daily Digest, 14 May 51). (R FBID, Far East, 31 May 51). COMMENT: If future

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Chinese actions in Tibet and Burma do not alarm the Indian public, Sino-Indian Friendship Associations may eventually become more effective intelligence-collecting and propaganda-distributing agencies than their Soviet counterparts, the Friends of the Soviet Union societies.

"B" AUSTRALIA. Government Takes Action Against Three Communist Labor Officials. The Australian Government has served summons on the Secretary General of the Waterside Workers Federation and on two Communist officials of the Ship Painters and Dockers Union, all of whom have participated in the work ban on New Zealand ships in Australian ports. The Government apparently hopes to throw the Communists off balance prior to the passage of industrial legislation planned with the opening of the new Parliament. (R Melbourne Joint Weeka C-32, 1 June 51). COMMENT: Although the High Court declared unconstitutional the Communist Dissolution Act--passed in October 1949, the Liberal-Country coalition Government waged and won its recent campaign for re-election largely upon its demand for determined action against the Communists. It may be expected to continue its anti-Communist campaign as far as the Australian courts will allow. The Communists during the past year,--in spite of highly unsympathetic conditions - have successfully carried out "guerrilla industrial warfare" and have retained, won, or re-captured major trade union positions in virtually every key industry.

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"A" BURMA. Chinese Communist Ambassador Demands Refugees be Returned to China. [REDACTED], the Chinese Communist Ambassador in Rangoon has demanded that Burma return all Chinese refugees to Red China "in accordance with Chinese law," with the warning that failure to comply would leave the Burmese Government open to the consequences of acting "unilaterally". The Government rejected the demand on the grounds that Burma was not bound by Chinese law and the Ambassador was told that no refugees would be returned against their wish. US Embassy Rangoon comments that, while this demand has apparently increased Burmese determination to adhere to their settled policy, it will make them more cautious regarding US proposals for facilitating the travel of Chinese refugees to Taiwan. (S Rangoon 869, 1 June 51). COMMENT: The Chinese Ambassador had previously approached the Burmese Government on this matter without obtaining satisfaction. His arrogant implication, in this instance, that Chinese law is applicable to Chinese in Burma will not be lost upon Burmese officials, who, however, apprehensive of Communist China, are nonetheless jealous of their independence.

"C" CHINA. Peiping Claims "Extermination" of 1,000,000 Guerrillas. A Peiping broadcast of 26 May asserts that "more than one million armed bandits throughout the nation have been exterminated..." (R FBIS 1 June 51). COMMENT: The above claim is consistent with

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the 1950 Nationalist figure of 1,600,000 active guerrillas and with the March 1951 G-2 estimate of approximately 600,000. However, it is believed that the Nationalists claimed greater strength than they possessed and the Communists greater successes than they achieved. The G-2 estimate still appears to be sound.

"B" KOREA. Communist Cavalry in Strength May Be Committed in Korean Conflict. The US Far Eastern Command, in a discussion of enemy capabilities, reports that the recent volume of reports concerning Communist cavalry troops in Korea and the advent of the rainy season "emphasizes the fact that the enemy retains the capability of exploiting the mobility (during the rainy season) of these troops in a surprise assault role." (S DA-CINCPAC Telecon 4777, 4 June 51). COMMENT: Additional significance may be attached to the presence of Communist cavalry in Korea by the statement of a Chinese cavalryman captured recently north of Seoul, who stated that his unit consisted of 50% Mongolian troopers.

"C" Question of Fertilizer for ROK Continues. Ambassador Muccio, reporting the availability of 150-175,000 tons of ammonium fertilizer by a Seattle firm, comments that the procurement of this quantity would contribute considerably to the economic and political stability of the ROK. While this fertilizer could be shipped to arrive in Korea by the end of July, the owner company will not hold open the offer unless the selling price of US\$10,000,000 is made available. Muccio reports that, in view of the present meager foreign exchange holdings of the ROK, the expenditure of such a sum is beyond the capability of the ROK. (P Pusan 1007, 1 June 51). COMMENT: The fertilizer shortage in South Korea continues critical.

"B" JAPAN. List of Proposed Depurgees Submitted to SCAP. On 31 May the Japanese Government submitted to SCAP, for approval, a list of persons now on the purge list whom the Government believes now may be depurged. The list contains some 168,000 names out of the total 193,000 purgees. It is expected that the depurging will be accomplished by the end of July. Principal categories of individuals who are scheduled to remain in the purgee status are war criminals, high ranking Army and Navy officers, as well as executives of such groups as the ultranationalistic societies. The depurge will permit some 5300 former teachers and professors to return to the classroom. (R FBIS, 1 June 51). COMMENT: It is generally conceded that the depurge will make it possible for a number of one-time political leaders to stage a comeback. Generally, Japan's political outlook should, if anything, veer further to the right. Within YOSHIDA's Liberal Party, there arises the problem of just where the depurgees will fit into the picture. This is particularly true in the case of HATOYAMA, YOSHIDA's predecessor, who appears to feel that the latter has been a caretaker Party chief. There are indications that the Premier is not planning, however, to surrender his position in the immediate future.

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SECTION 3 (WESTERN)

"C" GERMANY. Federal Republic Cites Arms Production in Soviet Zone of Germany. The Federal Republic Ministry of All-German Affairs has published a report on armaments production in the Soviet Zone stating that, contrary to Soviet claims of continued demilitarization, a widespread arms industry has been re-established in the Soviet Zone. (R Bonn 903, 1 Jun 51) COMMENT: It is an established fact that armaments are produced in the Soviet Zone but the extent of this production is still not clear. Production is primarily for reparations to the USSR and consists chiefly of replacement parts for tanks, small arms and ammunition, and some specialized technical equipment, such as high precision instruments from the Zeiss works. There is as yet no firm evidence of large scale armaments production.

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"A" FRANCE. Communist Labor Leaders Show Restive Spirit. During the recent national congress of the Communist-led General Workers' Confederation (CGT), Secretary General Frachon indirectly criticized the Communist Party's (PCF) interference in the management of the CGT. Pointing out that CGT strength depends on its defense of workers' economic demands, Frachon deplored the policy of eliminating able union leaders for inadequate political exploitation of their unions. He decried in particular the practice of replacing many older, respected regional leaders with young, unknown graduates of the Communist leadership training school who have no regard for union statutes. (C Paris 7438, 1 Jun 51) COMMENT: Frachon's speech reflects the frustration of CGT leaders faced with PCF directives which alternately stress economic

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and political objectives. The CGT has gained support in recent industrial labor elections, but the marked disinterest in international politics manifested by the delegates at the CGT congress shows that inflation is the workers' main concern. Frachon was undoubtedly emboldened by the success of the spring strikes and the discontent over party tactics revealed by the deviationist movement. It is highly improbable, however, that PCF leaders will heed CGT complaints and subordinate their political program to labor's economic needs.

"B" LUXEMBOURG. Election Results Indicate No Significant Shifts. Unofficial returns on the 3 June Luxembourg elections for half the members of the 52-seat single House of Parliament give the political parties the following total representation in Parliament: (1) 20 seats for the Social Christians (Catholics)—a loss of 2 seats from 1948; (2) 20 seats for the Socialists—a gain of 6; (3) 8 seats for the Democratic Group—a loss of 1; and (4) 4 seats for the Communists—a loss of 1 seat. Observers predict that a Catholic-Socialist coalition will replace the current Catholic-Democratic Group Government. (R FBIS, 4 June 51) COMMENT: Since 1945, the Socialist Party has been making steady gains, primarily at the expense of the Catholics and, to a lesser extent, the Communists. The present coalition could continue in power since it commands a parliamentary majority and there is no evidence of major disagreements among the Government parties. Even in the event of a change in the Government's composition, however, the support of NATO and the defense program will continue.

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"B" VATICAN-FRANCE. Vatican Attitude toward French Elections.

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reports that the Vatican: (1) favors a German-French-Italian alliance as the cornerstone of European defense against Communism; (2) fears the French Socialists may later revive their pre-war popular front with the Communists; (3) has "moderate confidence" in the Radical Socialists and other middle groups; (4) holds a poor opinion of De Gaulle as a politician but "appreciates the attitude" of some members of De Gaulle's Party. Meanwhile the Vatican's semi-official organ, Osservatore Romano, has declared in a lengthy article on the French election that it would be a pity for Frenchmen to abandon the well-tried Popular Republican Movement (MRP) in favor of a vague rightist movement. L'Osservatore urges that a union of Catholics in support of a party which offers more religious guarantees than any other is an urgent necessity.

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Although the Osservatore article probably reflects the general attitude of Vatican leadership, there are certain elements close to the Vatican, such as the group led by Giuseppe Dossetti, Professor of Ecclesiastical Law at Modena, militant Catholic, and leader of an increasingly strong minority group in the Christian Democratic Party, who appear to favor De Gaulle because of his strong Catholicism and corporative theories.

COMMENT:

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"C" DENMARK. New Defense Implementation Act is Broad in Scope. Additional information now available about the new Defense Implementation Act submitted

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by the government to Parliament on 29 May (see OCI Daily Digest, 31 May 51) indicates that it permits the Defense Minister, "if circumstances require", to extend the period of military service beyond the 12 months stipulated in the act itself. The Foreign Minister has told the US Embassy Copenhagen that all three major parties recognize the need for extending military service but that the present lack of certain prerequisites such as officer cadres and equipment made the government unwilling to promise a further extension of military service before any particular date. (S Copenhagen 27, 31 May 51) COMMENT: In proposing the extension of military service from 10 to 12 months and the adoption of the enabling clause, the Danish Government hopes to satisfy the desire of the US for a more vigorous Danish defense effort without adopting the suggested 18 months period of military service, which the Danish Government feels surpasses the capacity of Denmark at the moment. The enabling clause makes Denmark's response to the recent US request a somewhat more favorable one than it had first appeared. (See OCI Daily Digests 11, 12, 18, 31 May 51.)

"C" UNITED KINGDOM. Naval Cruise Cancelled because of Iranian Situation. The scheduled visit to British East Africa of the cruiser Mauritius (of the East Indies Squadron based on Ceylon) has been cancelled; instead the Mauritius was scheduled to arrive at Bahrein 3 June to relieve the cruiser Euryalus, which is now scheduled to cruise slowly down the Arabian coast to Aden, on orders from the British senior naval officer in the Persian Gulf. (U Joint Weeka London, 1 Jun 51; S 1623 Cincnelt 2 Jun 51) COMMENT: The Euryalus will thus remain reasonably close to the Persian Gulf and at the same time "show the flag" at a number of points en route to Aden and so help to counter any damage to British prestige among the independent sheikdoms caused by the Iranian situation.

"C" ARGENTINA. Ambassador Requests Instructions for Discussion of US-Argentine Relations. Foreign Minister Paz has requested a meeting with Ambassador Bunker to discuss all points covering US-Argentine relations "in the spirit of cordiality and frankness". After general references to Communist activity which exploits differences to disturb inter-American harmony, Paz suggested that the Ambassador draw up a list of items affecting the two countries for consideration at a meeting tentatively set for 6 June. The Ambassador has commented that the reasons behind this development are not clear but could be a sincere overture by Paz or possibly a "Peron tactic forced by fear of economic outlook including: 1) failure to receive Iran oil, 2) apprehension regarding control of materials, or 3) prospect of poorer foreign markets with current peace rumors". The Ambassador believes that it is necessary and desirable to hold discussions and be fairly specific on all points, "although in line with our policy", he "would explain and not request except in cases of Argentine obligations" to the US. (C Buenos Aires 1079, 1 Jun 51).

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CENTRAL INTELLIGENCE AGENCY

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JUN 4 1951

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES

4 June 1951

SECTION 1 (SOVIET)

"A" Embassy Moscow's Views on Soviet Reaction to Proposed Formal Guarantees To Greece and Turkey. Embassy Moscow believes that, despite Soviet sensitivity to military developments in the Black Sea area, formal guarantees to Greece and Turkey by the West are sufficiently important to outweigh any foreseeable risk. The Embassy considers that, particularly in the light of recent developments in Iran, it is necessary to check a possible trend toward neutrality on the part of Turkey. Furthermore, the USSR is unlikely to be unduly disturbed by such action, since it is already evident from present British and French undertakings to Greece and Turkey as well as American military assistance to them that defense of these two countries would be fully supported by these major powers. The Embassy thinks that bilateral US-Greece and US-Turkey treaty guarantees would needlessly provide the USSR with an opportunity to portray the US "aggressiveness" implicit in direct guarantees to states occupying strategic positions in immediate proximity to the USSR. On the other hand, inclusion of Greece and Turkey in NATO would reinforce the Soviet claim that this pact is aggressive, thereby strengthening the USSR's bid for mass popular support throughout the world. Furthermore, the Soviet Union might derive an advantage from the feeling of isolation that would develop in other Near Eastern countries. Nevertheless, the Embassy concludes that failure to admit Greece and Turkey into formal collective security arrangements with the three major Western powers would encourage Soviet hopes to disrupt free world unity and determination to resist aggression. (TS S/S Emb. Moscow 2047, 1 June 51).

SECTION 2 (EASTERN)

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